

Energy Transition: A Multifaceted Challenge for Europe

2nd Symposium: Securing gas supply within an integrated European market – a strategy subject to many uncertainties

- Report -

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On the 23rd of June 2015 – The Royal Institute for International Relations and the Development Group held the 2nd Symposium of the 2015 series of events dedicated to the European Energy Transition. Joined by 70 representatives from EU institutions, the economic sector, member states and other key stakeholders, the panels discussed the need of “securing gas supply within an integrated European market – a strategy subject to many uncertainties”.

Keynote address: Securing gas supply within an integrated European market

The keynote address was provided by **Stefan Moser**, Head of Unit: Security of Supply at the DG Energy of the European Commission. He explained that, according to the Ten-Year Network



Development Plan 2015, Russian gas and LNG dominate the future EU gas supply. In case of gas disruptions from Russia, the efficient use of infrastructures depends on the ability of impacted countries (from Central Eastern Europe) to send price signals to attract gas and on the cooperation between member States. Then, he focused on the concrete actions of energy security, solidarity and trust, which is one of the five guiding dimensions of the Energy Union. These actions are: 1) security of gas

supply with the revision of the Gas Security of Supply Regulation (994/2010); 2) a comprehensive LNG and storage strategy; 3) alternative suppliers from the Southern Gas Corridor and Mediterranean; 4) reviewing the intergovernmental agreements; and 5) developing the EU energy and climate policy diplomacy.

Session 1: Why is a clear strategy for gas currently difficult to implement in the EU

A clear strategy for gas is currently difficult to implement in the EU. All the speakers recognised that the role of gas in the European energy transition is highly uncertain. **Costanza Jacazio**, Senior Gas Expert in the Gas, Coal and Power Market Division at the International Energy Agency, explained that Europe's gas demand should barely grow in the future and the relationship between electricity demand and GDP growth no longer exists. **Anders Marvik**, Vice President EU Affairs at Statoil wondered how the EU could create an attractive investment climate for gas regarding the increasing competitiveness from abroad. He explained



the main reasons why the EU gas market has been suffering over the past years, namely: the low carbon prices, the lack of completion of the EU internal energy market, the lack of implementation of energy reforms in member states and conflicting policy signals.

After agreeing with Mr. Marvik on the need of a strategy to attract external investment, **Marco Margheri**, Senior Vice President Public and EU Affairs at Edison, called for a clear recognition of the role of gas politically. According to him, the gas strategy should be a bottom-up process that would identify where the strengths are, rather than a top-down approach. Finally, **Marco Giuli**, Policy Analyst in the Energy Programme at the European Policy Centre, pointed out that the mindset of EU member states must change as the decision-making process won't. They have to realize their common interest in finding jointly a strategy for gas.



Regarding the uncertain role of gas, the speakers agreed that the European gas policy has to become clearer and more effective. One major problem addressed in the discussion is that the internal energy market is still not completed. **Marco Giuli** explained that the unbundling process (Third Energy Package) has been overestimated, as there has been no price convergence so far. **Marco Margheri** outlined the necessity of investing in domestic production, pipelines and interconnections, as well as LNG terminals and gas storage to complete the internal gas market. He also explained that in order for the power market to become more flexible, gas and power should become more friends. **Costanza Jacazio** argued that European integration would be the low cost option to enhance gas infrastructure. Finally, a problem repeatedly quoted in the debate was the malfunctioning of the Emission Trading Scheme. **Anders Marvik** called for a substantial reform of the ETS to increase the competitiveness of gas towards coal.¹

Session 2: What are the next steps towards an integrated gas market under the Energy Union?

All speakers started by exposing the role of gas under the Energy Union context. **Margot Loudon**, Deputy Secretary General at Eurogas, welcomed a customer-centric Energy Union where customers



can shape the market through their choices of suppliers, energy forms and technologies. She also explained that tailored interventions to improve security can be justified but they should be limited and temporary. However, in the opinion of **Coby van der Linde**, Professor at the Clingendael International Energy Programme, politicians should leave their hands out of the market, at least for a year. **Christophe Poillion**, Chairman of the Security

of Supply Task Force at Gas Infrastructure Europe, reminded the five mutually reinforcing dimensions of the Energy Union, underlining that the *energy security, solidarity and trust* dimension needs cost-effective investments.

¹ The reform of the EU ETS will be the topic of the third symposium held on the 8th of September 2015.

Jan Kerner, Senior Market Development Leader – Europe, Russia & CIS at General Electrics Power and Water, declared that the EU and the rest of the world are entering the “age of gas”, in which gas will increasingly rival coal and oil and enable the deployment of renewables. Conversely, **Coby van**



der Linde was not sure of a gas growth in the EU: it is too expensive compared to coal, too cheap for producers to bring it to Europe, not clean and too political.

Then, the speakers have proposed several solutions. According to **Margot Loudon**, the first thing to do is to fully implement the Third Energy Package, with a potential wider role for ACER.

This would create the basis of a well-functioning market that would give the right signals for infrastructure to be built. **Christophe Poillion** recommended, among others, targeted investments based on cost-benefit analysis, improvements to the current regulation on security of supply, a greater role of LNG and storage and solidarity mechanisms between Member States. **Jan Kerner** declared that technology is ready for decarbonisation. Big data for example could help to improve energy efficiency. But strong partnerships between industry and political actors are needed to fully profit from the technological potential. In line with this view, **Coby van der Linde** added that technology activism and political will are needed to be more creative in the solutions proposed (e.g. new storage capacity for oil, using hydrogen in our gas infrastructure).

To conclude, all the answers to these challenges will require political commitment, technology developments, and solidarity between Member States, transit and producer countries, the EU institutions and all energy stakeholders. Each actor will have to develop innovative solutions and accept to drop some of its individual decision-making powers in favour of a common approach, which is not only more cost-efficient but also more secure.

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