



GIE President's Welcoming Speech at the 11th GIE Annual Conference

23 May, 11:05-11:15

Hotel Hilton Molino Stucky, Venice

[Dear, Mr. Vaiciunas, Adviser to the Lithuanian Energy Minister
Dear CEO of Italgas, Paolo Mosa,
Dear distinguished guests and delegates to the GIE Annual Conference,
Ladies and Gentlemen]

A very good morning to all of you. It is for me a great pleasure and satisfaction to warmly welcome all of you in Venice on the occasion of the 11th GIE Annual Conference. I am very glad to see you, in such great numbers, interested in what this conference will offer you during the next two days.

I want to sincerely thank our hosting company, SNAM, for the warm welcome and strong support for the preparation of this conference. Your contribution is definitely essential for the success of this conference. Thank you.

So, before starting my speech, I would like to say that this conference, once again and for the third consecutive year, has achieved an historical record number of participants. More than 380 delegates have been registered for this event. I would like to take this opportunity to sincerely thank all of you for your commitment and for your continuous support to GIE. I really hope that you will find this conference very interesting and fruitful.

[pause]

During the following days, a group of selected speakers will address many relevant topics. We will have first an overview of the EU energy policy and get comments on how close or how far we are from an actual internal gas market. We will also discuss about the future of the gas industry and how to improve the investment climate. Tomorrow, the outlook into the future energy market will allow us to understand what we have ahead of us.

[pause]



Ladies and gentleman, where is the gas infrastructure business going? Where do we want to go in Europe? Are we moving towards a brilliant future or simply towards a decent/modest future?

It is not something new if I say that Europe is in crisis. The crisis affects almost all sectors, including the gas business. We have seen how in several countries the gas consumption has decreased. We have noticed for example that the crisis has made it more difficult in some countries to have access to affordable financing and that the utilization of our installations has also decreased.

Simultaneously, we experience how the US shale gas boom makes cheap coal available for Europe. Coal consumption for power generation has dramatically increased during the last two years, while gas consumption has decreased. The scenario doesn't look too promising.

True, the intentions of the EU policy were fine at the beginning. But now, we have to take into account the fact that times have changed. With the crisis in Europe, we need to focus more on competitiveness issues. Don't forget that competitiveness is at the core of the EU policy!

However, looking on the longer term, I am deeply convinced that gas has a brilliant future. The advantages of gas are almost self-explanatory. It is the cleanest fossil fuel able to significantly reduce CO₂ and other harmful emissions while bringing a high level of competitiveness to our market and enabling the integration of renewables. Up to 2020, almost a fifth of the EU's total coal capacity, comparable to the total installed capacity for electricity in Poland, is due to be retired. This would be an excellent opportunity for replacing old coal plants by new, efficient flexible and cleaner gas-fired power plants. This would reduce drastically the CO₂ emissions without damaging the competitiveness or the security of supply of Europe. Furthermore, the increasing use of gas as fuel for both maritime and road transport provides an opportunity to not only reduce CO₂ emissions but also tackle air quality problem in our cities.

The fact that the European Council discussed yesterday again about energy shows the importance it has on the European level, especially because a well-functioning energy market is vital for the competitiveness of Europe.



Yesterday, among the many conclusions, the Council asked again for the full and correct implementation of the Third Energy Package. True, it is important, but there are also other significant issues that need to be tackled.

For instance, the Council outlined the importance of a predictable climate and energy framework post 2020. GIE has repeated many times that a predictable regulatory framework, both at EU and national levels, together with a sound investment climate were necessary for achieving the European internal energy market. Otherwise, investors will not put any money in gas infrastructure in Europe.

[pause]

Looking again to Brussels, it is obvious that the EU institutions are gaining more power in regulating the internal energy market. The number of policy and regulatory developments affecting energy has increased very significantly during the last 5 years.

At the same time, during the last years we have observed that a number of traditional European gas companies, including gas infrastructure operators, have been selling their assets and/or abandoning their investment projects in Europe, in order to go to other continents to look for new investment opportunities.

Europe is facing today a worrying deindustrialisation, together with a lack of competitiveness in the global market. The unemployment rates in Europe are terribly high. **The successful energy history of North American and the failures in Europe reflect the lesson that governments must support the realities of economics and technology.** Effective and scalable energy policies have to be not only environmentally sustainable but also affordable, in order to remain competitive.

Nonetheless, the EU energy policy is currently dominated by stringent environmental targets which constitute today the main lines of the EU energy policy. **It is only now that the EU starts to realise that we should put more efforts in increasing also our competitiveness at the global level.**

To solve this problem, gas can bring a perfect solution. Furthermore, the timely refurbishment of existing gas infrastructure and the deployment of new



infrastructure is vital to achieve all the EU's energy and climate policy objectives.

GIE members agree that the EU internal gas market should be more competitive, should have a higher level of security of supply and should allow for a smooth transition towards a low carbon economy. However, it is not helpful at all to only know the destination point; we also need to have indications on how to move on the right way towards that target.

When I talk to EU officials, all seem to agree that gas has a vital role in the EU energy mix in the transition period. **But this is not enough.** The gas infrastructure industry is a long-term capital intensive business with very long pay-back periods. The infrastructure built today will be used by 2050 and beyond.

Without a clear indication on where the EU energy policy wants to go, investments will be delayed or abandoned. We receive today some mixed signals from policy makers in Europe. Let me give you two examples:

- First, the need to invest in gas infrastructure is clearly recognised, but at the same time, the signals for the future of gas on the long term are unclear, as I said before.
- Second, the EU wants to promote the market, which is a good thing per se, but the problem is that current market signals do not value security of supply as they should. We will discuss later the issues on security of supply and the role of storages.

And this is my request again to the EU Policy makers: we need a clear, coherent and positive roadmap for the gas infrastructure industry.

Without an adequate EU roadmap, which clearly describes a relevant role of gas in the future energy mix and, the investors will not get the necessary certainty and will be reluctant to further invest in Europe.

Hence, I finish my speech by saying that GIE is willing to continue working with the EU institutions in order to define the adequate roadmap for the gas industry.



Thank you very much for your attention. I wish you a very fruitful and interesting conference.